

SENATE TAXATION

EXHIBIT NO. 7

DATE 3.23.11

BILL NO. SB408

SENATE BILL NO. 408

SPONSORED BY: SENATOR CHRISTINE KAUFMANN

SENATE TAXATION

8:00 AM – Wednesday, March 23, 2011 – Room 405

“Revise Oil & Gas Tax Holiday”

By: Patrick M. Montalban, Lobbyist - NMOGA

Stripper Gas Well Economics	
20 MCF Per Day Well:	
20 MCFD x 335 days =	6700
Average Price Per MCF:	\$2.15
Annual Revenue:	
6700 MCFs @ \$2.15/MCF:	14,405.00
Less Royalty Expense:	
12.5% Royalty	(1,800.63)
Less Production Taxes: (0.0926)	(1,167.17)
Less Operating Expenses:	
Methanol & Heaters:	(1,000.00)
Field Labor	(3,600.00)
"Rope, Dope & Soap"	(1,200.00)
Annual Net Revenue	5,637.21
Drilling & Completion Costs:	\$ 175,000.00
Payout:	31 Years

1st Year Prod Taxes (0.0076) 95.79
Incentive Savings: (1,071.37)

Stripper Gas Well Economics	
50 MCF Per Day Well:	
50 MCFD x 335 days =	16750
Average Price Per MCF:	\$2.15
Annual Revenue:	
16750 MCFs @ \$2.15/MCF:	36,012.50
Less Royalty Expense:	
12.5% Royalty	(4,501.56)
Less Production Taxes: (0.0926)	(2,917.91)
Less Operating Expenses:	
Methanol & Heaters:	(1,000.00)
Field Labor	(3,600.00)
"Rope, Dope & Soap"	(1,200.00)
Annual Net Revenue	22,793.02
Drilling & Completion Costs:	\$ 175,000.00
Payout:	7.7 Years

1st Year Prod Taxes (0.0076) 239.48
Incentive Savings: (2,678.43)

Stripper Gas Well Economics	
100 MCF Per Day Well:	
100 MCFD x 335 days =	33500
Average Price Per MCF:	\$2.15
Annual Revenue:	
33500 MCFs @ \$2.15/mcf:	134,000.00
Less Royalty Expense:	
12.5% Royalty	(16,750.00)
Less Production Taxes: (0.0926)	(10,857.35)
Less Operating Expenses:	
Methanol & Heaters:	(1,000.00)
Field Labor	(3,600.00)
"Rope, Dope & Soap"	(1,200.00)
Annual Net Revenue	100,592.65
Drilling & Completion Costs:	\$ 175,000.00
Payout:	1.7 Years

1st Year Prod Taxes (0.0076) 891.10
Incentive Savings: (9,966.25)

Stripper Oil Well Economics**5 Barrel Per Day Well:**

5 bbls x 335 days = 1675

Average Price Per Barrel: \$84.00

Annual Revenue: 72,025.00

1675 bbls @ \$84.00/bbl:

Less Royalty Expense: (9,003.13)

12.5% Royalty

Less Production Taxes (0.0926) (5,835.83)

Less Operating Expenses:

Electricity (6,000.00)

Chemical (2,400.00)

Field Labor (3,600.00)

"Rope, Dope & Soap" (1,200.00)

Net Revenue 43,986.05

Drilling & Completion Costs: \$ 350,000.00

Payout: 8.0 Years

1st Year Prod Taxes (0.0076) 478.97
Incentive Savings: (5,356.86)**Stripper Oil Well Economics****10 Barrel Per Day Well:**

10 bbls x 335 days = 3350

Average Price Per Barrel: \$84.00

Annual Revenue: 144,050.00

3350 bbls @ \$84.00/bbl:

Less Royalty Expense: (18,006.25)

12.5% Royalty

Less Production Taxes (0.0926) (11,671.65)

Less Operating Expenses:

Electricity (6,000.00)

Chemical (2,400.00)

Field Labor (3,600.00)

"Rope, Dope & Soap" (1,200.00)

Net Revenue 101,172.10

Drilling & Completion Costs: \$ 350,000.00

Payout: 3.5 Years

1st Year Prod Taxes (0.0076) 957.93
(10,713.72)**Stripper Oil Well Economics****20 Barrel Per Day Well:**

20 bbls x 335 days = 6700

Average Price Per Barrel: \$84.00

Annual Revenue: 288,100.00

6700 bbls @ \$84.00/bbl:

Less Royalty Expense: (36,012.50)

12.5% Royalty

Less Production Taxes (0.0926) (23,343.30)

Less Operating Expenses:

Electricity (6,000.00)

Chemical (2,400.00)

Field Labor (3,600.00)

"Rope, Dope & Soap" (1,200.00)

Net Revenue 215,544.20

Drilling & Completion Costs: \$ 350,000.00

Payout: 1.6 Years

1st Year Prod Taxes (0.0076) 1,915.87
(21,427.44)